



**PUBLIC INPUT SESSION
ON
2014-2015 DISTRICT BUDGET**

Wayne Hills High School
January 16, 2014

Purpose

- The purpose of this presentation is to provide the Board of Education and the public:
 - An overview of the process for developing the district 2014-15 budget
 - Factors and challenges impacting the process
 - An opportunity to provide input
- **Examples and assumptions presented do NOT represent the 2014-15 proposed budget**

Factors Impacting the Budget

School Districts CANNOT increase the prior year **tax levy** by more than 2%, *unless*:

- They receive *and exercise* a health care waiver which is determined by the State using a calculation comparing District costs to NJ State Health Benefits costs
- They utilize Bank Cap – an amount representing the difference that the prior year budget(s) were under the 2% cap

Factors Impacting the Budget

- The use of the waiver and banked cap ONLY gives the District the opportunity to increase its tax levy ABOVE the 2% cap
- Additional taxes would need to be raised to support the increased tax levy
- Use of the waiver and/or banked cap only requires Board approval

Factors Impacting the Budget

- **Negotiated agreements** with staff
 - Unsettled contracts with three bargaining units – contracts expired 6.30.13
 - Pending negotiations with WEA for 7.1.14
- Anticipated **increases in benefits** for all staff
- Other **increases in fixed and mandated costs** that might exceed 2% such as insurance, out of district tuitions, related services, etc.
- Unanticipated **costs for compliance** with PARCC that requires upgrades to technology

Factors Impacting the Budget

- Reduction in the total assessed valuations in the Township due to tax appeals

Total ratables for 2013:	\$5,188,509,648 *
Total ratables for 2014:	<u>\$5,144,748,048 *</u>
Reduction in ratables:	-\$ 43,761,600

* As certified by Township of Wayne Tax Assessor

Impact of Tax Levy on Tax Rate

The Township of Wayne operates on a calendar year from January 1st to December 31st

The School District operates on a fiscal year from July 1st to June 30th

This requires the Township to raise the tax levy over two of its fiscal years – ½ to cover from July to December and the other ½ to cover the period January to June – this is a **Split Year Tax Levy**

Tax Levy History

BUDGET YEAR	TAX LEVY	\$ INCREASE	% INCREASE	
2009-2010	\$ 116,896,889			
2010-2011	\$ 123,231,644	\$ 6,334,755	5.42%	(1)
2011-2012	\$ 124,894,494	\$ 1,662,850	1.35%	
2012-2013	\$ 127,268,166	\$ 2,373,672	1.90%	
2013-2014	\$ 130,459,943	\$ 3,191,777	2.51%	(2)

(1) District lost 95% of its State Aid

(2) District utilized a portion of the allowable waiver for security upgrades

Example of Split Year Tax Levy

<u>Year</u>	<u>Tax Levy</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
2011-12	\$124,894,494	\$62,447,247	\$ 62,447,247	
2012-13	\$127,268,166		<u>\$ 63,634,083</u>	\$ 63,634,083
	Amount used for tax rate		\$126,081,330	
2012-13				\$ 63,634,083
2013-14	\$130,459,943			<u>\$ 65,229,972</u>
	Amount used for tax rate for 13-14 Budget:			\$128,864,055

Financial Impact of Ratables

Example for current 13-14 budget:

$$\frac{\text{Split Year Tax Levy}}{\text{Total Ratables}} = \text{Tax Rate}$$
$$\frac{\$128,864,055}{\$5,188,509,648} = \$.02484$$

$$\frac{\text{Tax Rate}}{\text{Avg Home Assessment}} = \text{Tax}$$
$$$.02484 \times \$228,200^* = \$5,668$$

* Average Home Assessment as provided by Township Tax Assessor

Example* of Split Year Levy for 2014-15

IF the tax levy stayed FLAT for the 2014-2015 budget, the amount used to determine the tax rate would still *change*...

<u>Year</u>	<u>Tax Levy</u>	<u>2015</u>
2013-14	\$130,459,943	\$ 65,229,972
2014-15	\$130,459,943	\$ <u>65,229,972</u>
	Amount used for tax rate	\$130,459,943
	Amount used for tax rate in 2014:	<u>\$128,864,055</u>
	Increase in amount used for tax rate:	\$ 1,595,888

*Examples and assumptions presented do NOT represent the 2014-15 proposed budget

Example* Financial Impact of Ratables

Using same tax levy for 2014-2015 budget:

$$\frac{\text{Split Year Tax Levy}}{\text{Total Ratables}} = \text{Tax Rate}$$
$$\text{\$130,459,943} \quad / \quad \text{\$5,144,748,048} = \text{\$.02536}$$

$$\frac{\text{Tax Rate}}{\text{\$.02536}} \times \text{Avg Home Assessment} = \text{Tax}$$
$$\text{\$.02536} \quad \times \quad \text{\$228,200} \quad = \quad \text{\$5,787}$$

*Examples and assumptions presented do NOT represent the 2014-15 proposed budget

Example* Financial Impact of Ratables

Therefore, even though the District may keep the tax levy the SAME, the split year tax levy amount to determine taxes *changes*.

This, coupled with the reduction of \$43,761,600 in ratables in the Township, would result in taxes for average home increasing by \$119 per year.

Example* Financial Impact for 2014-2015

Tax Levy for 2013-2014 budget:	\$130,459,943
Plus 2% increase:	<u>\$ 2,609,199</u>
Maximum tax levy at 2%:	\$133,069,142

The additional annual tax impact of increasing the tax levy by 2% would be \$58 per year for the average home for a total tax impact of \$177 per year (\$119 due to changes in ratables and split year tax levy calculation)

2014-2015 Budget Assumptions*

Using the 2013-2014 adjusted budget of \$141,090,125 for these assumptions ...

Salaries and medical benefits account for \$113,457,606 or 80% of the total budget.

All negotiated and single unit contracts are subject to increase for the 2014-2015 school year.

*Examples and assumptions presented do NOT represent the 2014-15 proposed budget

2014-2015 Budget Assumptions*

- **If** *health/prescription/dental benefits* renew at previous year composite amounts around 10%, it would require a budget increase of \$2,830,349.
- Employee premium contributions for next year are estimated at approximately 9% of total premiums, which would reduce the anticipated increase to \$2,575,618.

Budget Assumptions*

The total estimated amount that would be needed for anticipated increases in Salaries (at 2%) and Health Benefits *at these assumed increases* would be **\$4,278,700.**

With a tax levy increase at 2% cap providing for only \$2,609,199 in additional revenue, there would be a shortfall of \$1,669,501 without any considerations for instructional materials, energy, insurance, etc.

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Budget Challenges

1. Budget for no increases in the remaining 20% of the budget (based on 13-14) for instructional materials, energy, insurance, legal, out of district placement costs, related and support services, etc.
2. Find areas in the remaining 20% of the budget to reduce **OR** utilize bank cap and/or insurance waivers to increase the tax levy.

Financial Facts

- For the 13-14 budget, the total health care waiver was \$2,195,582 but only \$646,414 of that amount was used
- The District has \$5,008,546 of banked cap available from the 2011-2012, the 2012-2013 and the 2013-2014 budgets – all of which were under cap

Example of Components of the remaining 20%*

- | | |
|---|---------------------|
| • Utilities (utilities, communications) | \$ 4,423,761 |
| • Lease obligations (technology, facilities, buses) | \$ 762,592 |
| • Insurance, FICA, PERS, Other Empl Benefits | \$ 7,285,713 |
| • Transportation (buses, gasoline, repair of buses) | \$ 742,298 |
| • Legal, Audit | \$ 496,172 |
| • Non public Transportation | \$ 498,548 |
| • Capital (turf field agreement, SDA Assessment) | \$ 386,300 |
| • Special Education (tuition/transp/related services) | <u>\$ 6,154,169</u> |
| | Total: \$20,749,553 |
- LEAVES **approximately \$6.8M (4.8% of budget)** in discretionary costs to cover services and supplies for the entire school district .

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Public Input

This portion of the meeting is intended to gather public input on district priorities to assist the Board and administration in making the difficult decisions ahead.

Next Steps

- Administration continues to review and refine school and department budget requests
- Board of Education and Standing Committees discuss budget priorities and key decision-points
- Community input is gathered via on-line survey
 - Community Survey:
 - <http://tinyurl.com/2014-15CommunityBudgetInput>
 - Staff Survey:
 - <http://tinyurl.com/2014-15StaffBudgetInput>
- Await final figures for State Aid, insurance, etc.

Important Dates in Budget Process

- ✓ **Jan. 16:** Special meeting for public input on budget
- **Feb. 13:** Special meeting for presentation of preliminary budget
- **Feb. 27:** Board meeting for adoption of preliminary budget for submission to County Department of Education for approval
- **Mar. 13:** Special meeting for public input on budget
- **Mar. 27:** Board meeting for public hearing and adoption of final budget for State submission